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PUBLIC OWNERSHIP IN FRANCE

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THE question of Public Ownership, called in France the *étatisation* or the *municipalisation* of Public Utilities, has been to the fore in that country for the past quarter of a century. The Government, Parliament, and public opinion have been continually examining the subject, and in recent years interesting experiments have been made in this field.

In France, for more than a century, the State has had the monopoly of certain great industries. This monopoly was constituted either for fiscal reasons, in order to bring large sums of money into the public treasury, or for reasons of public safety, in order to strengthen the military position of the country. In this connection I will not take up the Post Office, which, under the ancient régime, was farmed to a company of financiers and which, since the end of the eighteenth century, has also been a Government monopoly—the system now adopted in most countries. To the Post Office was, later, united the telegraph, and, some twenty-five years ago, the telephone also. In addition to these, the French State also enjoys two other important fiscal monopolies—the manufacture and sale of tobacco and matches.

The first of these two monopolies, tobacco, is more than a century old, having been taken over by the State at the very beginning of the nineteenth century. In accordance with its stipulations French agriculturalists may not raise tobacco except in certain special cases and then in a very small number of departments. Furthermore, they must be provided with a Government permit, and the cultivation is supervised by the agents of the fisc, who enumerate the plants, count the leaves, and then buy the crop at a price fixed by the Government. The tobacco, whether raised in France or bought abroad, is manufactured in a limited number of factories owned by the State, whence it is sent to depots under Government directors, where it is finally dis-

tributed among the retail dealers, some 30,000 in number for the territory of France, who are appointed by the Government and who sell the different qualities of tobacco at prices authorized by the Government. As these prices are very high, the monopoly turns in a large sum to the national treasury. The gross receipts reach in round numbers 500,000,000 francs, netting 400,000,000, the total expenses being only about one-fifth of the sale price. The French people are now accustomed to this monopoly—in operation for over a hundred years—having been established in France at a moment when the consumption of tobacco was very small and the production still smaller, for nearly all the tobacco was imported. The enormous fiscal advantages derived from this monopoly also tend to render it less unpopular, though complaints are common concerning the bad quality of French Government tobacco, and because the retail dealers have not always in stock the exact kind of tobacco wanted by the purchaser, who, knowing that he will have to wait several days to get what he asks for, accepts what is offered. A graver inconvenience came out in 1910 and 1911. In addition to the monopoly of tobacco, the Government is also the only producer of nicotine. Now it so happens that nicotine is very efficacious in destroying insects harmful to certain plants and fruits. During the two years just mentioned, the Mediterranean portion of the French vineyards was attacked by a species of scale insect which would penetrate into the grape and devour all the juice. So the viticulturalists suddenly needed a large quantity of nicotine with which to fight this insect. But on account of the routine and lack of suppleness which always characterizes Government enterprises, the required amount of nicotine could not be furnished. The result was that the grape crop was very short and the viticulturalists lost several tens of millions of francs.

The Government match monopoly is less important. It has existed for only some thirty years and brings into the State Treasury about 40,000,000 francs gross, or about 30,000,000 net, the sale price being about quadruple the cost price. Every Frenchman and every foreigner visiting France knows the exceedingly bad quality of the French Government match. Sometimes you have to strike a half-dozen before one will light. In 1910 the Government tried to stop the making and the sale of vest-pocket tinder-boxes,

even taking legal proceedings against those who sold them or used them. The pressure of public opinion, however, stopped this, and the Government had to content itself with putting a high duty on them. Before the match industry became a monopoly several millions' worth of French matches were exported annually; but the business is now completely dead. The same thing is true of the tobacco industry; though the Government sells 500,000,000 francs' worth of tobacco to its own citizens, its export trade is next to nothing.

Powder for the army and navy, as well as for mining and sport, is another Government monopoly in France. The aim in this case is not financial; but a pretended military and national interest was given out as the reason for this monopoly when it was established at the beginning of the nineteenth century. The system has always been a cause of much complaint from the mining interests and sportsmen. Leaving the army and navy out of the account, the Government sells the French public from twenty-two to twenty-three millions' worth of powder a year. The terrible disasters in the French navy—when the ironclad *Jena* was blown up, and but a few years later the *Liberté*—are attributed by a deeply moved public to the bad quality of the powder in the ships' magazines. An official investigation has revealed the most crying abuses and the greatest negligence in the management of some of the Government powder depots. In fact, the pressure of public opinion has led the Cabinet and Parliament to examine the question of what restrictions can be placed on the Government manufacture of powder, and has brought about the authorization, under certain conditions, of the manufacture and sale of powder through private enterprise.

Though the French State has not made a monopoly of the building of war-ships and the furnishing of all the necessary supplies, still a large part of this work is done in the Government yards, which give permanent work to some 30,000 men. In 1908 Senator Poirier, of the Finance Committee of the Upper House, made a report on the working of these State arsenals.* These potent facts concerning

* In my volume *Collectivisme*, fifth edition, pages 673 to 685, I have examined this report in detail; but suffice it to give here one single sentence, a résumé of the whole: "In the military posts and arsenals the waste of the public funds is simply beyond imagination."

the French State industries have often been pointed out to Parliament, and especially to the Senate, by M. Antonin Dubost, now President of that distinguished body.

It is not superfluous to say here a few words about one of the most recent French State monopolies—the telephone. The complaints under this head are universal. In the first place, the tariff is very high—400 francs, or nearly \$80 a year in Paris, the aim of the State being to get out of it as much as possible—40,000,000 francs gross. But this is not the only thing to criticize. The apparatus is antiquated and the employees incapable. As a rule, it takes many minutes to get a communication in Paris, and when you would converse with other cities, even when they are not far apart, the best plan is not to try.

As regards wireless telegraphy, the subject may be dismissed in very few words: it is *going to be* a State monopoly too, and so the French public does not yet enjoy the benefit of this new discovery.

Another and very striking example of the mediocre ability of the State in industrial matters is furnished by the Public Printing Office. This institution came under Government control before the Revolution of 1789 and at first was devoted exclusively to the printing of works in the Oriental languages for which private concerns had neither the type nor the knowledge, so there was ground for such a plant. But little by little during the nineteenth century the functions of the National Printing Office were extended until it became transformed into an ordinary printing establishment doing all sorts of work, and doing it in such a wasteful manner that the whole subject has been brought before Parliament. The height of the scandal was reached when it was decided to reconstruct a part of the building of the Printing Office, this work to cost, according to the original estimates, 2,700,000 francs. At the end of 1910, however, it was found that 12,000,000 had already been spent and 5,300,000 more would be required to complete the work, making a total of 17,300,000 instead of 2,700,000 as originally called for. That is to say, the work was going to cost more than six times what had been stated in the estimates. So an official investigation into the whole general management of the Public Printing Office was set on foot, when it was found that for the 1,300 printers employed, there were 172 officials and superintendents of one kind and another—

that is, one for every eight workmen. Among these officials, 135 belonged to the director's department alone, one for less than every ten workmen, whereas in a private establishment of the same importance there would be one for every thirty-four workmen—that is, four times less.*

If we take up the State railway system of France we find all these shortcomings on a still larger scale. Prior to 1875, there were no railways of this kind in France. The plan generally adopted in France has been a concession to a private company for a period of ninety-nine years. For some of these companies a little more than half of the concession has now expired, and for others nearly one-half. At the end of this period of ninety-nine years—that is, between 1950 and 1960 for the principal companies—the railways will revert to the State, which does not mean, however, that the State will have to take over their management. The State can then make a new concession on more advantageous terms for it and for the public, because if not all, at least the largest part of the capital used for the building of the roads will have been liquidated by the redemption, which the companies make every year, of a part of their shares and bonds. In France the State originally aided in the building of its railway system by moderate money subventions and by guaranteeing the payment of the interest on the capital used for the building of the secondary lines. The development of traffic and of net profits has generally made it unnecessary for the companies to have recourse to this plan of guaranteed interest, and the principal companies have already paid back, or will eventually be able to pay back, the sums advanced by the State for this purpose.

Thus, in the original plan of the French railway system the State took no part in the management. About the year 1875, circumstances threw into its hands a line which at first was not of very great importance; some small companies in the western part of France, between Bordeaux and Nantes, failed or got into financial difficulties, and the State, in order to preserve the shareholders from complete ruin, did what was not at all necessary—bought up the line belonging to these small companies, and instead of passing it on to a large and flourishing company decided to manage the line,

* *Journal Officiel*, November 25, 1910; *Journal des Débats*, November 26, 1910.

at least provisionally. But this temporary arrangement finally became a permanent one, and gradually the line was lengthened until it reached Paris, so that there came to be in western France a line linking the capital with Bordeaux and Nantes. This line, known as "the old State railway," is now about 3,000 kilometers in length, thus forming about a sixteenth part of the total length of the whole French railway system. The running of this road is very expensive. Its net revenues do not represent two per cent. on the invested capital. It has had some terrible accidents of late, costing the lives of scores of passengers. The last one was due to the bad condition of a bridge over the Loire; the weakness of this bridge had been common report for a long time.

In 1908 the State added to its small system a much larger network of railways by taking over the important Western Company, which controlled the roads of Brittany, Normandy, and some neighboring departments, and which, starting at Paris, had as termini the seaports of Havre, Cherbourg, Brest, and Nantes. This system embraces about 6,000 kilometers and brings up the total of the State roads to 9,000 kilometers, or nearly a fifth of the whole French system of railways.

For a long time the Radical party, which has been in power in France from 1898 to 1911, inclusive, has favored the policy of taking over the railways and having them managed by the State. This was one of the planks of the Radical platform as far back as 1889. The Conservative party, on the contrary, has always opposed this idea. The Ministers of Finance of the Third Republic, who have left the best names—M. Léon Say and M. Maurice Rouvier—always combated the proposal, whose financial and economic consequences they held would prove to be most disastrous. In 1908 the Clémenceau Cabinet, in which M. Caillaux was Minister of Finance and M. Barthou, Minister of Public Works, took over the management of the Western Company in the name of the State, notwithstanding the almost unanimous disapproval of the measure by the representatives of the region directly affected and the protests of nearly all of the French Chambers of Commerce. The bill was carried through the Chamber of Deputies without much trouble, but in the Senate it required a threat of a Cabinet crisis to obtain the small majority finally secured;

and during the debate these ministers just mentioned repeatedly assured the recalcitrant senators that the transaction would cost the French Treasury nothing, that it would be an *opération blanche*, as the net receipts of the lines would cover the indemnity which had to be paid the company. Now, the State began its management in January, 1909—that is, four years ago, long enough for us to draw some conclusions. And what is the result?

The State management of the Western Railway has been from the very start, and continues to be, a great financial and technical disappointment. For the first two years the whole line was in absolutely chaotic condition. The trains were never on time and the worst possible accidents were continually happening, whereas under the old management not a single passenger had been killed in ten years. After many experiments, the new management was forced to reduce the number of trains and cut down the speed of the principal ones. To-day the technical side is better than it was at first, but not better than it was under the old company. The financial results, however, could not be much worse than they are, and are a great load on the State Treasury.

In the year 1908, the one preceding the operation of the road by the State, the old Western Company had a net deficit of 27,000,000 francs, and consequently, in accordance with the plan then in force, the company borrowed from the State this sum with which to pay the interest on its bonds and shares. In 1909, the first year that the State had control of the roads, this deficit rose to 38,500,000 francs, and continued to rise as follows during the succeeding years: 1910, 58,500,000; 1911, 71,250,000; 1912, estimated, 84,500,000; and 1913, estimated, 90,000,000 in round numbers. While I am writing these lines M. Chéron, Deputy and a former Assistant Secretary, publishes a report on the subject in the name of the Budget Committee of the Chamber of Deputies. He belongs to the Radical party, but has to admit that the figures of the estimated deficit for the year 1913 are “very disquieting,” and adds that the estimated deficit for 1912, as well as that for 1913, is largely attributable to salaries of the employees, the increase under this head being 52,000,000 francs since the State took over the road. M. Chéron declares that he is “not accusing anybody,” doubtless because he knows it would do no good. He says he might be

willing to accept an increase in salaries and wages, but points out that there is an excessive augmentation in the number of employees. Here are his exact words on this point: "As regards the increase of the personnel, it seems to me the administration has been rather large. But the same thing is true of all the departments." And then he concludes with these words: "In this matter of the augmentation of the personnel, I understand it has reached the maximum." This reflection of an out-and-out Radical Deputy is very characteristic. In the Government offices, at least in France, there is always a tendency to over-increase the number of the employed. But in this way more citizens are made happy, and the party in power fares better at the elections.

Thus, as we have seen, the trial of State ownership in France is directly against that system, and consequently public opinion is now completely opposed thereto, especially enlightened, as it now is, by the financial and other shortcomings which have followed the State operation of the Western Railway. It may be regarded as certain that, notwithstanding the seventy Socialist Deputies in the Chamber, it will be a good many years before another French Minister of Finance will venture to propose the State taking over another railway.

The municipalization of city public utilities, such as street-lighting, motive power, tramways, etc., has not gone far in France, though it has many supporters not only among our Socialists, but also among our Radicals. As most of the concessions for gas, electricity, water, and the street-passenger traffic expired in the early years of the twentieth century, it might have been thought for a moment that the Paris Municipal Council would have municipalized these different services. But nothing came of the very artificial movement in that direction set on foot by the Radical Socialist party. On the contrary, the Paris Municipal Council has, during the last fifteen years, made new concessions to private companies in different forms and for varying terms of years in the matter of all the services just mentioned. This is a notable fact, for it was done though municipalization was advocated by a large and influential group in the Council.

The concession which had been enjoyed for three-quarters of a century by the Paris Gas Company expired in 1905.

But the Paris Municipal Council declined to assume the responsibility of directing that industry. It preferred the system by which it became simply "an interested party"—that is, the gas-works belong to the municipality, but the making of the gas is done by a company which furnishes the working capital and which shares the profits with the city. In accordance with this arrangement, the city may end the concession every five years by giving the company two years' notice; that is to say, the city is bound for seven years. The first period of five years expired in 1910, without the city making use of this right, so that the present arrangement will last at least until 1915; and everything points to its continuing even longer, especially as the Municipal Council elected in 1912 for four years is friendly to the present arrangement. In fact, at the moment of writing, the city of Paris is negotiating a loan of 200,000,000 francs with which to enlarge its present gas-works and even to build new ones to be run under the present concession.

A similar arrangement—that of "an interested administration"—exists with the General Water Company, and in 1910 the city renewed this arrangement for a very long period.

Some thirty years ago concessions, beginning with a period running from 1882 to 1889, were granted to a half-dozen companies, each being given a fraction of the city, called a *secteur*. These concessions had to do with electricity, heating, lighting, and motive power, and all will expire in 1914. Five or six years ago the Paris Municipal Council united all the *secteurs* and conceded the city's electricity and motive power for a period of twenty-six years—that is, from 1914 to June 30, 1940—to a large financial group called the Paris Company for Electrical Distribution. In the matter of electric lighting and heating, this company has a monopoly; but as regards electric motive power the Municipal Council reserves the right to permit other companies to furnish electric power to the city. Within the last few months a grant of this kind has come up for consideration, so that in this matter of electric power it is highly probable that the city of Paris will adopt a competitive system.

In the matter of urban passenger traffic, the municipality has had recourse also to the concessionary system under different forms and conditions. There are in Paris two distinct subway companies, the older and more important

being the Metropolitan, whose concession is for forty years after the opening of the last portion of the road. The city assumes all the cost of tunneling, the company making the road-bed, building the stations, furnishing the rolling-stock, and running the road. It gives the city one-third of the gross receipts and a certain portion of the increased traffic when it surpasses a fixed figure. The second subway company, the North-South, has made a different arrangement with the city. The company does all the work of construction, the city simply approving and supervising the plans and their execution and sharing in the profits, this share being based on the number of passengers carried. This concession is for seventy-five years.

And lastly, the city renewed three or four years ago for periods of about fifty years, with large shares in the profits, its concessions to all the tramway, omnibus, and auto-bus companies.

Thus, from 1900 to 1910, inclusive, the Paris Municipal Council has been handing over to private companies under varying conditions for periods extending to 1943 and even to 1980, all the urban public utilities—electricity, water, and passenger traffic, as well as gas, on a somewhat different plan as explained above.

This system of concessions to private companies, producing a considerable reduction in the prices paid formerly by the public for its utilities and offering the city considerable participation in the profits, is now both favorably received by Parisians and very advantageous to the city treasury. In the case of long concessions, the municipality has reserved the right, on certain conditions, to take over the utility at the end of a fixed time, generally after a lapse of ten or fifteen years. But in the present state of mind of the municipality and Paris public opinion, it is not probable that the city will exercise this power. The public especially approves of the plan by which the city participates in the profits derived from the concessions. At the recent municipal election in May, 1912, the question of the municipalization of public utilities or of the city exercising its reserved right of taking over any of them was not brought up at all, and almost every one of the candidates for re-election who favored this system was successful at the polls. If one or two of these were defeated, it was due to quite other and personal reasons.

As I have already said, this system is very beneficial to the Paris treasury. For instance, during the year 1910 it brought in 83,000,000 francs, of which 34 to 35 millions were from gas, 27 to 28 from water, 18 from the subway, and the rest from electricity. The last item is sure to increase rapidly and considerably. It is true that these 83,000,000 francs must meet the interest on large loans which the city was forced to have recourse to in order to carry through some of these enterprises. But it is safe to say that interest and amortizement do not represent more than one-half of the sums which the city receives from these sources; and these sums are sure to increase gradually and notably. I estimate that, toward the middle of the present century, 150 or perhaps even 200 million francs will be the minimum sum which the city will derive from these urban utilities under the present arrangement, of which sum at least one-half, if not three-fifths or two-thirds, will be net profit.

In this matter of urban utilities, most of the cities of France have copied Paris more or less closely. The exceptions are those towns where the municipal council is Socialist or Collectivist; in which cases some of the utilities, especially that of lighting, have been municipalized. But these are rare exceptions in France, and the experiment has not, as a rule, been a success. The city of Elbeuf, for example, offers almost a tragic case. A few years ago the municipal council and the mayor decided to municipalize the gas, and announced their intention to extend this plan to various other industries. But their initial step proved most disastrous, and the municipal gas company was run at a marked loss to the city treasury. The mayor, who represented his town in the Chamber of Deputies, was so affected by the situation and the unpopularity in which he fell, that he actually committed suicide. His death was followed by a new election, when the victorious municipal council immediately leased the city gas interests to a private company.

As a result of all this, municipalization is not in good odor just now in France. A very striking proof of this has recently been furnished. In consequence of the wide-spread complaints over the increased cost of living, the Caillaux Cabinet brought in a bill authorizing the Paris municipality to establish butcher-shops and bakeries. But public opinion was so opposed to this project that the Poincaré Cabinet,

which succeeded the Caillaux Cabinet, promptly withdrew this bill.

It is true that the city of Paris has decided in principle to call for a loan of 200,000,000 francs for constructing or aiding by loans, the construction of cheap working-men's homes; and that the Government has introduced a bill to enable French towns in general to do this same thing. But the bill provides that the towns must, as a rule, come to an arrangement with some co-operative or ordinary stock company to whom will be loaned, at a low interest, the funds necessary to build these houses. So the general idea of the bill is that the municipalities will neither construct nor manage these houses. Even the Minister of Labor, M. Léon Bourgeois, who belongs to the advanced Democratic party, has concurred publicly in this view.

I repeat, therefore, that State ownership and operation of public utilities, that municipalization, that the participation of the departments or public authorities of any kind is in disgrace in France, the final blow to the system having been given by the lamentable failure, still in progress, of the Western Railway management. And I may add that a careful study of the nature and working of the modern State and public bodies to-day, especially in wholly democratic countries, shows that reasons of the highest theoretical gravity add their weight to those of a practical kind in favor of the rejection of the idea of State operation of public utilities of any sort. But my contradictors may point to Germany, and especially to Prussia, as a proof that the State can operate creditably great railway systems. My reply is that Germany and Prussia are in no respects democratic countries; that Prussia is not even a Parliamentary one, subject to electoral servitude and to the instability of elective administrations. The Prussian bureaucracy is very strongly organized, quite independent of Parliament, an autonomous body in no way influenced by the sudden changes of the outside world. Furthermore, we must take into account the German character, and particularly the Prussian character, full of discipline and deeply imbued with the military spirit and functionary pedantism. In other countries, where these conditions do not exist, State railways are far from being above criticism. In Belgium, for instance, which is, however, a very industrial and prosperous, as well as a very calm and sensible nation, the State

operation of the railways has given rise in Parliament to very severe and well-founded criticisms. In this connection I need simply call attention to the recent Parliamentary report of M. Hubert, who has been several times Minister. So strong is the blame in this document that it places the operation of the Belgian roads very much below that of private companies, and especially below that of the French Northern Company, which operates a system similar to those of Belgium. M. Hubert even goes so far as to suggest that it might be advantageous to lease the Belgian roads to one or more companies. Political reasons oppose such a radical change as that, but the mere fact of its being proposed condemns the State management of the Belgian railway system.*

The weakness of State administration in such matters springs from the very nature of our modern contemporary governmental forms. As a general thing, State functionaries advance by age, and even when promotion comes through special choice the fortunate officeholder owes his success largely to the fact that he has served faithfully for many years. It is safe to say that almost never does a State functionary get to the top before he is 50 or 55, often even 60, years old. In big private concerns, on the contrary, you often find important posts filled by men between 35 and 42 or 43 years of age, which is a great advantage to these companies, for energy, decision, and initiative are generally dulled toward 60, and especially so beyond that year. Again, the State officeholder is governed by very narrow rules from which he cannot escape; he has no initiative and is subject to a jealous control. Then there is State accounting, often very niggling; credits parsimoniously accorded which cannot be promptly increased, however necessary and however much such an increase would be to the public good. A State functionary is always hampered, and when the unexpected happens his position is not to be envied. There is much more red tape in State accounts than in those of private companies, with the result that every State enterprise is weighed down by routineism. Another cause of the inferiority of State functionaries arises from their not being able to share in the pecuniary success of the business which they direct. Their salary, which is

* I go into this report in detail in the fourth edition of my book *L'État Moderne et ses Fonctions*, pages 258 to 268. Paris: Librairie; Félix Alcan.

always very modest, remains stationary, whatever the profits of the business may be. A salary of from 25,000 to 35,000 francs is considered very high in the French official world. In a recent Parliamentary report the idea was put forward that no officeholder should be paid more than a deputy or senator—that is, 15,000 francs a year. But in big private concerns the managers come in for a large share in the profits. I know cases where engineers from 35 to 45 years old, and directors of insurances companies, receive regularly from 120,000 to 200,000 francs annually. Small salaries tend to produce inertness in those who receive them, while salaries that grow with the progress of the business have the contrary effect.

But this does not close the list of circumstances which oppose the operation of public utilities by the State or municipalities. In our modern democratic countries the Government and public men are beset by election considerations. Officeholders are always thinking of the elections, and are, furthermore, subjected to the whims of the politicians, who can either turn them out of office or prevent their advancement. The result is that State officials, whatever their grade may be, are not free agents in matters electoral. The Government in France does not hesitate, on the eve of an election, to send officials a circular letter ordering them to support the Government's candidates. The consequence is that the liberty of choice at the ballot-box, and, therefore, political liberty, is sadly infringed upon in a country and among a people where the central Government enjoys extensive powers. The transferring of officials to another post and their dismissal on account of political hostility or even lukewarmness is a common occurrence in France.

Germany furnished recently a striking example of Government pressure, though of a somewhat different character from those just mentioned. I refer to the Prussian Government stopping all orders of railway material from the Graffenstadten works in Alsace, for the openly declared reason that this concern had at its head a director who was unfriendly to Germany. The company was given clearly to understand that this policy would be continued so long as this objectionable person remained at his post. After some hesitation the board of directors removed him. This pressure from a Government operating an important railway

system is not always exercised in such a bold fashion, but it makes itself felt almost always either openly or secretly. The consequence is that here again the political liberty of the citizen is infringed upon.

There is an objection of still another sort, and a very grave one, against State ownership of public utilities. To meet the demands of one kind and another which they entail, the Government is obliged to be continually borrowing. But repeated loans depreciate public credit, so that in a grave crisis a Government finds it difficult to obtain loans necessary to the very life of the nation. Many examples of this might be given. Take Russia, for example. Before the outbreak in 1904 of the Russo-Japanese War the Tsar's Government took over the larger part of the railways and began operating them, which greatly increased the country's debt; for the Government, to meet this expense and make the necessary extensions, was obliged to negotiate a big loan almost every year, the result being that at the moment of the commencement of hostilities, the debt had attained 16 or 17 milliards of francs. The defeats came and then the credit of Russia collapsed. The public of England and France recalled that even in peace times the Russian Government was forced to borrow annually, but it was not remembered that this money was for the building of railways. So the Russian 5 per cents. fell below 80. There can be no doubt that if Russia had not squandered so many milliards in buying and building railways, but had left all this to private companies, her debt would have been less and the moral effect produced by this immense total would have been less harmful. It required four or five years after the peace for Russian credit to recover itself, and during that period the Government could borrow only on very hard terms and could not renew the rolling-stock of her railways or go on with their extension. But if the roads had been in the possession of companies with shareholders in France, Belgium, and Holland, for example, the money would have been easily found. In fact, the Russian Government has been compelled to hand back to private companies a large part of its roads in order not to be obliged each year to go abroad seeking money and thus weaken still further its foreign credit.

A similar but less pronounced example of this same thing is furnished by Germany. It cannot be denied that

Germany is a prosperous country, and its situation both at home and abroad, appears to be very solid. Yet the German public funds are relatively low, considerably below the French. The difference is relatively enormous, and there is a tendency for it to go on falling. In 1898 the German 3 per cents. were only 5 or 6 points below the French 3 per cents., the average figure of the first being 95 and the second 100½. But in June of the past year there was a difference of 14 points, the German 3 per cents. being quoted at 79 and the French 3 per cents. at 93½. Several reasons have been advanced to explain this difference, but it seems to me that the principal one has been overlooked. For twenty years France has asked no public loan, the French Government, until the taking over of the Western Railway in 1908, abstaining from any large scheme requiring a great amount of capital, whereas the German Government, and especially the Prussian Government, owning and operating the State railways, have been obliged and are still obliged to borrow every year in order to better the existing lines and to construct new ones. The result is that the French public funds have never been brought into competition with new loans, while the existing German public funds have to meet, and are still meeting every year, the competition and pressure occasioned by these new issues of Government bonds. In fact, this singular situation has come to pass: German public funds are now lower than those of Italy, Switzerland, and even Norway. At the end of last June, German 3½ per cents. were selling at 90, while Italian 3½, notwithstanding the war with Turkey, the uncertainty as to how it will end, and the expenses occasioned thereby, were worth 97.80; Swiss 3½, 91 and 92; and Norwegian 3½, 91 and 93. This depression in the public funds of Germany might also be partly attributed to the expenses of the navy, but the fact remains that if Prussia and the German States were not burdened with the construction and the operation of the railways of the country, the German Empire would not be asking at every moment for money and its credit would not stand so low as it does.

It is a source of unquestionable strength for a nation to have good credit, especially at the moment of some great crisis which may come at any hour. At such a time those who have money to lend, knowing that the French 3 per cents. have stood for more than a quarter of a century in

the neighborhood of par and even above, would be more disposed to subscribe to a public loan required by the circumstances of the moment and at a rate that would not be a burden to the country. Our fine position in this respect has, however, been somewhat marred since we took over and began operating the Western Railway. In order to extend its system, the Government this present year has had to borrow 300,000,000 francs, and this will have to be repeated in the immediate years to come; so this loan, with the 8 to 9 million to follow, will unquestionably have a weakening effect on French credit. Though these new bonds are of a different sort from our 3 per cents., the latter have already declined 2 per cent. and are now vacillating.

I need not dwell longer on this question of State ownership. From the point of view of pure political economy there can be no question that it is an evil. Nor is the conclusion less positive when the matter is considered from a sociological, a political, or a financial point of view.

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